New Clues Hint Hughes, Not U.S., Owns Glomar Explorer

The following article was written by Nicholas M. Horrock based on reporting by him and John M. Crewdson.

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WASHINGTON, May 4 — There is growing evidence on the public record that Howard Hughes's Summa Corporation, and not the Federal Government, may be the owner of the Hughes Glomar Explorer, a secret ship designed to recover a sunken Soviet submarine from the mid-Pacific.

The evidence contradicts private assertions by officials of the Central Intelligence Agency and Summa Corporation executives that the ship — valued at up to $300 million together with her exotic electronic gear — belongs to the Government.

It also challenges the insistence of these officials and executives that Mr. Hughes's ownership of the giant ship and his intention to use her to mine the ocean floor was no more than a sophisticated "cover story" that was concocted by the C.I.A. to shroud, with the trappings of a commercial venture, the effort to recover the submarine.

Moreover, the ways in which tax and regulatory matters involving the ownership of the Explorer were handled have so needlessly compromised the project as to make it appear that someone wanted the news of the recovery operation to come out.

If the Summa Corporation does own the Explorer, questions are raised concerning possible windfall profits reaped by Mr. Hughes, complicating with Federal regulations by him and others, and his liability for substantial state and local taxes in California.

Last week, the tax assessor in Los Angeles County, where the ship has been berthed, said he now regarded her as the personal property of Mr. Hughes, and therefore taxable, under the property-tax laws, at a rate of about $1-million a year.

The Glomar Explorer became known in the field of undersea mining and petroleum exploration in 1972 after she was launched by the Sun Shipbuilding Company. At the time officials of the Summa Corporation spread the story that the ship had been built for Summa (and thus for Howard Hughes, who owns Summa) for deep sea mineral exploration.

She had been built, these sources said, by Global Marine Inc., which designs and operates undersea exploration craft. The Coast Guard registration for the ship indicated Summa's ownership; Global Marine's filings with the Security and Exchange Commission showed she was operated entirely as though she was Howard Hughes' property.

In late 1974 and in January, 1975, as the result of attention drawn to Summa by a burglary in its Los Angeles office and from independent press information, several major publications learned of a project to recover a Soviet naval submarine that sank in the Pacific in 1968.

These publications were told privately that the Glomar Explorer had been built at Government expense to recover this submarine and that the ship was the property of C.I.A. They were told the undersea mining story was a "cover" for the real project which the intelligence agency code-named Project Jennifer.

Appointment Arranged

In the last week of January, 1975, Philip Watson, the tax assessor for Los Angeles County, received a telephone call from an agent of the Federal Bureau of Investigation asking him to meet with "four people from Washington who want to see you," Mr. Watson said in an interview.

"It's a matter of national security," he said he was told.

When five men arrived at Mr. Watson's office on Jan. 31, 1975, they refused to sign the guest book, the assessor said. One man displayed F.B.I. credentials. He was later identified to The New York Times as William Sullivan, an assistant director of the F.B.I. in charge of the Los Angeles region.

Mr. Watson said the F.B.I. man first asked if there were any electronic devices operating in the office. After Mr. Watson had assured him there were none, the F.B.I. agent introduced the other men saying, "these gentlemen are from the C.I.A. and they want to talk to you on a matter of national security," Mr. Watson said.

The men were later identified as David Brice Toy, Clinton Morse, Steven T. Schoenbaum and George Kucera. The C.I.A. declined to confirm or deny if any of them were employed by the agency.

Mr. Toy, a lawyer in Los Angeles with the firm of Lillick, McHose, Wheat, Adams & Charles, declined in an interview to discuss the tax meeting, but said he had never been a C.I.A. agent or retained by the C.I.A. He said he represented Global Marine.

C.I.A. Link is Denied

Mr. Morse, a lawyer with the Houston firm of Andrews, Kurth, Campbell & Jones, also said he had never been employed or retained by the C.I.A. he said he went to the meeting to represent the Summa Corporation.

Mr. Schoenbaum is described in published reports as being an administrative officer of Summa Corporation's ocean mining division. He declined in a telephone interview to confirm or deny that he was with the C.I.A.

Mr. Kucera said in a telephone interview that he had been a C.I.A. agent "a very long time ago," but claimed he was now employed by Summa. All four declined to comment on the meeting.

Mr. Watson said that both Mr. Schoenbaum and Mr. Kucera told him they were from the C.I.A. There are no statutes forbidding persons to pose as C.I.A. men but it is a crime to impersonate a Federal officer.

The four men said the Glomar Explorer was designed to place electronic sensors on the ocean floor for the C.I.A., Mr. Watson said. They told him that if he treated the vessel routinely for tax purposes it would "blow our cover," Mr. Watson said.

Tax Exemption Noted

Mr. Watson said he told the visitors that if the vessel was Government property she would be exempt from taxation by state or local officials, and asked for an affidavit from Mr. Toy's law firm affirming the Government's ownership.

He said the four men said they were reluctant to do that, but offered to pay a reduced tax on the vessel if she were treated as a research property instead of a commercial one.

"I'm always a little suspicious when somebody offers to pay a tax they don't have to," Mr. Watson said.

On April 25, however, Mr. Watson said that Mr. Toy and Mr. Morse told him they could not give him a letter identifying the ship as Government property.

Instead, a Summa official wrote the tax assessor that the Glomar Explorer was not taxable in Los Angeles because she was "domiciled" in Delaware.

Meanwhile, a similar approach regarding the ship's tax status had been made to Charles Otterman, counsel to California's Board of Equalization in Sacramento. Mr. Otterman said he could not discuss details of an individual tax case, but that no F.B.I. or C.I.A. agent had been involved.

But a source in the state government said it was "fair to speculate" that Summa Corporation faced routine tax audits in which its liability for use and sales taxes would be checked. This source said the real ownership of the vessel would have to be determined before a decision on levying sales or use taxes could be made.

Mr. Watson said the approach to him seemed to ignore security regulations since he did not need to be told anything about the project.

"All I needed was a piece of paper stating this is Government property," he said.

'Hamstrung' by C.I.A.

Publicly, a Summa spokesman said the corporation could not comment on the matter. But privately another Summa source said the corporation was being "hamstrung" by the C.I.A.

"This is unnecessary cloak and dagger stuff," this source said.

Further, the source said Mr. Hughes had considered the project on a "cost basis" and that he believed the ship belonged to the Federal Government. But he said the limitations placed on the company by the C.I.A. had made it unduly difficult to handle routine matters such as taxes. He speculated that "maybe somebody wanted all this to come out after all."

For instance Global Marine, which designed and operated Glomar Explorer, ignored routine methods of handling a national security project in its filings with the S.E.C. and chose simply to omit the vessel's real mission. Later, after the submarine story became public, Glomar Marine amended its S.E.C. filings to reflect that it operated a Government project.

The costs to Mr. Hughes, if he owns the vessel, are not inconsiderable. Mr. Watson said that at the "hull value" estimated at $35 to $40-million, the Glomar Explorer would be liable for $1 million to $1.2-million in property taxes in Los Angeles.

If Summa took title to the vessel after her construction was paid for by the Government, the corporation would have acquired a free property worth up to $40-million, as well as what one Summa source described as valuable "expertise in undersea mining and recovery operations."